

Audited Financial Statements

**Township of Kimball
St. Clair County, Michigan**

*Year ended March 31, 2008
with Report of Independent Auditors*

Township Officials

Supervisor	Thomas L. Portis
Clerk	Joyce Shaffer
Treasurer	Brian E. Anglebrandt
Trustees	Becky J. Wrubel Edmond Kilroy Paula S. (Sue) Halifax Debbie Cooley

Township of Kimball

CONTENTS

Report of Independent Auditors	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	4
Reconciliation of Fund Balances to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	7
Proprietary Fund:	
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Net Assets	9
Statement of Cash Flows	10
Fiduciary Funds:	
Statement of Fiduciary Net Assets	11
Notes to the Financial Statements	12
Required Supplemental Information	
Budgetary Comparison Schedule – General, Special Revenue, and Permanent Fund Types	29



ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Report of Independent Auditors

Township Officials
Township of Kimball
Kimball, Michigan 48074

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Township of Kimball (the "Township"), as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Township of Kimball, as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township of Kimball has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of Management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Andrews Hooper & Pavlik P.L.C.

Auburn Hills, Michigan
November 6, 2008

Township of Kimball
Statement of Net Assets
March 31, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,657,268	\$ 3,078,635	\$ 4,735,903
Accounts receivable	104,906	405,655	510,561
Prepaid expenses	20,305		20,305
Total current assets	1,782,479	3,484,290	5,266,769
Advance to other funds		742,000	742,000
Special assessments receivable		2,680,308	2,680,308
Unamortized discount on bonds - net		53,379	53,379
Capital assets			
Property, plant and equipment	3,304,715	14,313,273	17,617,988
Less accumulated depreciation	(1,827,717)	(4,422,875)	(6,250,592)
Capital assets - net	1,476,998	9,890,398	11,367,396
Total assets	3,259,477	16,850,375	20,109,852
Liabilities			
Current liabilities			
Accounts payable	49,059	206,810	255,869
Accrued expenses	31,126	11,563	42,689
Accrued interest		57,699	57,699
Due to other funds	29,238	5,195	34,433
Current portion of long-term liabilities		310,000	310,000
Total current liabilities	109,423	591,267	700,690
Long-term liabilities			
Advance from other funds	742,000		742,000
Bonds payable		3,030,000	3,030,000
Compensated absences	31,867		31,867
Total long-term liabilities	773,867	3,030,000	3,803,867
Total liabilities	883,290	3,621,267	4,504,557
Net assets			
Invested in capital assets, net of related debt	734,998	6,550,398	7,285,396
Restricted for liquor enforcement	(185)		(185)
Restricted for cemetery care	23,820		23,820
Restricted for construction code authority	(6,416)		(6,416)
Unrestricted	1,623,970	6,678,710	8,302,680
Total net assets	\$ 2,376,187	\$ 13,229,108	\$ 15,605,295

Township of Kimball
Statement of Activities
Year ended March 31, 2008

			Net (Expense) Revenue and Changes in Net Assets		
			Primary Government		
			Governmental	Business-type	
	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for</u> <u>Services</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Functions and programs					
Governmental activities					
Legislative	\$ 71,837		\$ (71,837)		\$ (71,837)
General government	508,775	\$ 185,187	(323,588)		(323,588)
Public safety	582,147	151,373	(430,774)		(430,774)
Public works	336,686		(336,686)		(336,686)
Culture and recreation	45,425		(45,425)		(45,425)
Capital outlay	9,489		(9,489)		(9,489)
Total governmental activities	<u>1,554,359</u>	<u>336,560</u>	<u>(1,217,799)</u>		<u>(1,217,799)</u>
Business-type activities					
Water and sewer	1,886,501	1,262,712		\$ (623,789)	(623,789)
Total primary government	<u>\$ 3,440,860</u>	<u>\$ 1,599,272</u>	<u>(1,217,799)</u>	<u>(623,789)</u>	<u>(1,841,588)</u>
General revenues					
Property taxes			324,920		324,920
State shared revenues			597,879		597,879
Unrestricted investment earnings			105,913	224,690	330,603
Other			260,254	27,189	287,443
Total general revenues			<u>1,288,966</u>	<u>251,879</u>	<u>1,540,845</u>
Change in net assets			71,167	(371,910)	(300,743)
Net assets, beginning of year			2,305,020	13,601,018	15,906,038
Net assets, end of year			<u>\$ 2,376,187</u>	<u>\$ 13,229,108</u>	<u>\$ 15,605,295</u>

Township of Kimball
Balance Sheet
Governmental Funds
March 31, 2008

	General Fund	Special Revenue Fund Liquor Enforcement	Permanent Fund Perpetual Care	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,633,353	\$ 95	\$ 23,820	\$ 1,657,268
Accounts receivable	104,906			104,906
Prepaid expenses	20,305			20,305
Total assets	<u>\$ 1,758,564</u>	<u>\$ 95</u>	<u>\$ 23,820</u>	<u>\$ 1,782,479</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 49,039	\$ 20		\$ 49,059
Accrued expenses	30,866	260		31,126
Due to other funds	29,238			29,238
Advance from other funds	742,000			742,000
Total liabilities	<u>851,143</u>	<u>280</u>		<u>851,423</u>
Fund balances (deficit)				
Reserved - liquor enforcement		(185)		(185)
Reserved - cemetery care			\$ 23,820	23,820
Reserved - construction code authority	(6,416)			(6,416)
Unreserved and undesignated	913,837			913,837
Total fund balances (deficit)	<u>907,421</u>	<u>(185)</u>	<u>23,820</u>	<u>931,056</u>
Total liabilities and fund balances	<u>\$ 1,758,564</u>	<u>\$ 95</u>	<u>\$ 23,820</u>	<u>\$ 1,782,479</u>

Township of Kimball
Reconciliation of Fund Balances to the Statement of Net Assets
Governmental Funds
Year ended March 31, 2008

Fund Balance - Total Governmental Funds	\$ 931,056
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	1,476,998
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Long-term liabilities are not due and payable in the current period and
are not reported in the funds.

Compensated absences	<u>(31,867)</u>
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Net Assets - Governmental Activities	<u><u>\$ 2,376,187</u></u>
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Township of Kimball
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended March 31, 2008

	General	Special Revenue Fund Liquor Enforcement	Permanent Fund Perpetual Care	Total Governmental Funds
Revenues				
Property taxes	\$ 324,920			\$ 324,920
Licenses and permits	151,373			151,373
Intergovernmental	593,609	\$ 4,270		597,879
Charges for services	184,962			184,962
Perpetual care			\$ 225	225
Interest	104,598	289	1,026	105,913
Other	260,254			260,254
Total revenues	<u>1,619,716</u>	<u>4,559</u>	<u>1,251</u>	<u>1,625,526</u>
Expenditures				
Current				
Legislative	71,837			71,837
General government	457,281			457,281
Public safety	523,337	4,097		527,434
Public works	324,776			324,776
Culture and recreation	41,953			41,953
Capital outlay	153,833			153,833
Total expenditures	<u>1,573,017</u>	<u>4,097</u>		<u>1,577,114</u>
Excess of revenues over expenditures	46,699	462	1,251	48,412
Other financing sources (uses)				
Transfers in	1,328			1,328
Transfers out			(1,328)	(1,328)
Total other financing sources (uses)	<u>1,328</u>		<u>(1,328)</u>	<u>-</u>
Change in fund balance	48,027	462	(77)	48,412
Fund balance (deficit), beginning of year	859,394	(647)	23,897	882,644
Fund balance (deficit), end of year	<u>\$ 907,421</u>	<u>\$ (185)</u>	<u>\$ 23,820</u>	<u>\$ 931,056</u>

See accompanying notes.

Township of Kimball
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities
Governmental Funds
Year ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 48,412
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Capital asset purchases capitalized	144,345
Depreciation expense	<u>(112,823)</u>
	31,522

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in compensated absences	<u>(8,767)</u>
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Net Change in Net Assets of Governmental Activities	<u><u>\$ 71,167</u></u>
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Township of Kimball
Statement of Net Assets
Proprietary Fund
March 31, 2008

	Business-type Activities Enterprise Fund
	Water & Sewer
Assets	
Current assets	
Cash and cash equivalents	\$ 3,078,635
Accounts receivable	405,655
Total current assets	<u>3,484,290</u>
Advance to other funds	742,000
Special assessments receivable	2,680,308
Unamortized discount on bonds - net	53,379
Capital assets	
Property, plant and equipment	14,313,273
Less accumulated depreciation	<u>(4,422,875)</u>
Capital assets - net	<u>9,890,398</u>
Total assets	<u>16,850,375</u>
Liabilities	
Current liabilities	
Accounts payable	206,810
Accrued expenses	11,563
Accrued interest	57,699
Due to other funds	5,195
Current portion of long-term liabilities	310,000
Total current liabilities	<u>591,267</u>
Long-term liabilities	
Bonds payable	<u>3,030,000</u>
Total liabilities	<u>3,621,267</u>
Net Assets	
Invested in capital assets, net of related debt	6,550,398
Unrestricted	6,678,710
Total net assets	<u><u>\$ 13,229,108</u></u>

Township of Kimball
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Year ended March 31, 2008

	Business-type Activities
	Enterprise Fund
	Water & Sewer
Operating revenues	
Charges for services	\$ 1,262,712
Penalties	22,555
Miscellaneous	4,634
Total operating revenues	<u>1,289,901</u>
Operating expenses	
Salaries	227,620
Benefits	105,509
Operating supplies	32,475
Water purchases	625,875
Sewer service cost	277,151
Professional fees	117,612
Contracted services	2,700
Insurance	3,202
Printing and publishing	2,922
Utilities	9,554
Gasoline and oil	9,168
Repair and maintenance	30,530
Depreciation and amortization	290,997
Miscellaneous	5,914
Total operating expenses	<u>1,741,229</u>
Operating loss	(451,328)
Non-operating revenues and (expenses)	
Interest income	224,690
Interest expense	(145,272)
Total non-operating revenue and (expenses)	<u>79,418</u>
Change in net assets	(371,910)
Net assets, beginning	<u>13,601,018</u>
Net assets, ending	<u>\$ 13,229,108</u>

Township of Kimball
Statement of Cash Flows
Proprietary Fund
Year ended March 31, 2008

	Business-type Activities
	Enterprise Fund
	Water & Sewer
Cash flows used by operating activities	
Cash received from users	\$ 1,279,147
Cash paid to employees and vendors	(1,521,833)
Cash paid to other funds	(105,080)
Net cash flows used by operating activities	(347,766)
Cash flows from capital and related financing activities	
Acquisition/construction of capital assets	(31,395)
Cash receipts from special assessments	444,910
Cash received from other funds in payment of long-term advance	98,000
Payments on long-term debt	(320,000)
Interest paid on long-term debt	(145,272)
Net cash flows from capital and related financing activities	46,243
Cash flows from investing activities	
Interest on investments	224,690
Net cash flows from investing activities	224,690
Decrease in cash and cash equivalents	(76,833)
Cash and cash equivalents, beginning of year	3,155,468
Cash and cash equivalents, end of year	\$ 3,078,635
Reconciliation of operating loss to net cash flows used by operating activities	
Operating loss	\$ (451,328)
Adjustments to reconcile operating loss to net cash flows used by operating activities	
Depreciation and amortization	290,997
Increase in accounts receivable	(10,754)
Decrease in accounts payable	(68,624)
Decrease in accrued expenses	(2,977)
Decrease in amounts due to other funds	(105,080)
Net cash flows used by operating activities	\$ (347,766)

Township of Kimball
Statement of Fiduciary Net Assets
March 31, 2008

	Fiduciary Fund Types		Total
	Trust and Agency	Current Tax	Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 45,296		\$ 45,296
Due from other funds	9,118	\$ 25,315	34,433
Total assets	<u>54,414</u>	<u>25,315</u>	<u>79,729</u>
Liabilities			
Cash overdraft		23,230	23,230
Due to others	54,414	2,085	56,499
Total liabilities	<u>\$ 54,414</u>	<u>\$ 25,315</u>	<u>\$ 79,729</u>

Township of Kimball

Notes to the Financial Statements

March 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Kimball (the “Township”) complies with accounting principles generally accepted in the United States of America. The Township’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) Opinions issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Reporting Entity

The Township of Kimball, Michigan, established in 1855, is a public corporation created under the constitution and statutes of the State of Michigan. Located in St. Clair County, the Township of Kimball covers an area of approximately 36 square miles and is one of 23 townships in St. Clair County, Michigan, each of which is a separate governmental entity. The Township operates under an elected Township Board of Officials, which consists of a Supervisor, Clerk, Treasurer, and four Trustees, and provides services to its more than 8,600 residents in many areas including fire protection, water, sewer, streets, parks and recreation. In evaluating how to define the Township for financial reporting purposes, Management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America, currently GASB Statement #14, *The Financial Reporting Entity* and GASB Statement #39, *Determining Whether Certain Organizations are Component Units*.

Based upon the application of these criteria, the basic financial statements of the Township contain all the funds controlled by the Township’s Board of Officials as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Township.

Basis of Presentation

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the Township, the primary government, as a whole. They include all funds of the reporting entity except for fiduciary funds, which are excluded from government-wide financial statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Township of Kimball

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the government-wide statement of net assets, the columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets.

The government-wide statement of activities demonstrates the degree to which the direct expenses (including depreciation) of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

In creating the government-wide financial statements, the Township has eliminated inter-fund transactions. This government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township, meets the following criteria, or if the Township chooses to present it as such:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least five percent of the corresponding total for all governmental and proprietary funds combined.

Township of Kimball

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions, grants, and other governmental revenues.

Special Revenue Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources other than special assessments that are legally or contractually restricted to expenditures for specific purposes. The following fund is included:

- Liquor Enforcement

The Liquor Enforcement Fund is a special revenue fund that is used to record the liquor enforcement activity of the Township.

Permanent Fund – Permanent Funds are used to account for resources that are legally restricted to allow the earnings, but not the principal, to be used to support the Township's programs. The following fund is included:

- Perpetual Care

The Perpetual Care Fund is a permanent fund that is used to record the guaranteed maintenance activity of the Township's cemetery.

Proprietary Fund

Enterprise Fund – Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The following fund is included:

- Water and Sewer

The Water and Sewer Fund is an enterprise fund used to record the activities related to providing water and sewer services to the Township's citizens.

Township of Kimball

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Agency Funds – Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The following funds are included:

- Current Tax Collection

The Current Tax Collection Fund is used to account for taxes collected as an agent for other governmental units.

- Trust and Agency

The Trust and Agency Fund is used to account for amounts collected as an agent and temporarily held in trust for various individuals in the normal course of Township business.

Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when susceptible to accrual (i.e. when it is, “measurable and available”). Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures are recorded when the related fund liability is incurred, except interest on long-term debt, which is recorded when paid.

Amounts reported as program revenue include: charges to customers or applicants for goods, services or privileges provided, operating grants, capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals or other governmental units.

Township of Kimball

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Policies and Practices

Michigan Compiled Laws, Section 129.91 authorizes the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank, savings and loan association or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's investment policy is in accordance with statutory authority.

Assets, Liabilities, and Fund Equity

Deposits and investments – The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

Inter-fund receivables/payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities, business-type activities, and fiduciary activities are reported in the government-wide financial statements as "due from other funds" and "due to other funds."

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the individual fund's balance sheet.

Accounts receivable – The Township considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period of uncollectibility.

Capital Assets – Capital Assets, which include property, plant, equipment, and infrastructure assets (water and sewer lines, tennis courts and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial cost of more than \$5,000 and an estimated useful life of more than one year. All property and equipment are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated property and equipment are valued at their estimated fair value on the date donated.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-40 years
Furniture, equipment and software	3-5 years
Vehicles	5 years
Land improvements	15 years
Water and sewer lines	50 years

Township of Kimball

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt (reported at face value) and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets.

Equity Classifications – In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets – consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors or laws and regulations of other governments or through constitutional provisions or enabling legislation.
- Unrestricted net assets – consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, designations of unreserved fund balances in the governmental funds indicate tentative plans for use of financial resources in a future period. Unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Compensated Absences

The Township allows employees to accumulate vacation and sick time from year to year within limits. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Township of Kimball

Notes to the Financial Statements (continued)

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Construction Code Act

The Township tracks the results of building department operations in the General Fund in accordance with Michigan Public Act 245 of 1999. The Township is required to maintain an accounting system that separately accumulates revenues and expenditures related to the building department function. As required under the provision of the Act, the Township adopted this accounting treatment effective January 1, 2000. A summary of the activity since January 1, 2000 is as follows:

Cumulative revenue over expenditures – April 1, 2007	\$ 27,156
2007-2008 building department activity:	
Permit revenue	\$ 151,373
Expenditures	<u>(184,945)</u>
Deficiency of revenue under expenditures	<u>(33,572)</u>
Cumulative expenditures over revenue – March 31, 2008	<u>\$ (6,416)</u>

Budget Requirements, Accounting, and Reporting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All annual appropriations lapse at the fiscal year end. Each fund's appropriated budget is prepared on a detailed line-item basis. The Township does not maintain a formalized encumbrance accounting system.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Treasurer submits to the Township Board, a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at a Township board meeting to obtain taxpayer comments.

Township of Kimball

Notes to the Financial Statements (continued)

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

3. Prior to April 1, the budget is legally adopted by a Township Board Resolution pursuant to the uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires the budget to be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget or in excess of the amount appropriated. Any expenditure in violation of the budgeting act is disclosed as an unfavorable variance on the budgetary comparison schedule – general, special revenue, and permanent fund types. PA 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. The Treasurer is authorized to transfer budgeted amounts between line-items within an activity. However, any revisions that alter the total expenditures of any activity must be approved by the Township Board.
5. The budget as presented has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 31.
6. Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Excess of Expenditures over Appropriations in Budgeted Funds

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the line-item level.

During the year ended March 31, 2008, the Township incurred expenditures in excess of the amounts appropriated, as follows:

Fund	Total Appropriations	Amount of Expenditure	Budget Variance
General Fund:			
Legislative	\$ 70,000	\$ 71,837	\$ 1,837

During the year ended March 31, 2008, the Township did not prepare a budget for the Liquor Fund or the Perpetual Care permanent fund.

Township of Kimball

Notes to the Financial Statements (continued)

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Deficit Fund Balance

A deficit fund balance of \$185 exists in the Liquor Enforcement Fund. The deficit results from expenditures over revenues incurred in prior years. It is expected that positive operations during the next year will provide a positive fund balance.

3. CASH AND CASH EQUIVALENT DEPOSITS – CUSTODIAL CREDIT RISK

Cash deposits and investments (certificates of deposit with maturities less than 90 days) are carried at cost. Cash deposits and certificates of deposit of the Township are in the name of the Township at two banks.

At March 31, 2008, the Township had nine depository accounts. The Township does not have a deposit policy. The book value of the Township's bank deposits, consisting of six interest bearing checking accounts and three interest bearing certificate of deposit accounts, was \$4,757,969. Of the bank balance, \$200,000 was covered by Federal depository insurance and \$4,735,010 was uninsured and uncollateralized; therefore, subjecting the Township to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. However, the Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 200,000
Uninsured and uncollateralized	<u>4,735,010</u>
Total	<u>\$ 4,935,010</u>

Township of Kimball

Notes to the Financial Statements (continued)

4. INVESTMENTS

At March 31, 2008, the Township had the following investments and maturities:

	Investment Maturities (in years)				
	Fair Market Value	Less than 1	1 – 5	6 – 10	More than 10
Deposits:					
Certificates of deposit	\$ 4,056,800	\$ 4,056,800			
Total investments	\$ 4,056,800	\$ 4,056,800	\$ -	\$ -	\$ -
Less investments reported as “Cash and Cash Equivalents” on the Statement of Net Assets	4,056,800				
Total investments	<u>\$ -</u>				

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township’s investment policy does not specifically address interest rate risk. The Township’s policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk of investments. The Township’s certificates of deposit are not rated; however, the Township evaluates each financial institution with which it invests funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used.

Township of Kimball

Notes to the Financial Statements (continued)

4. INVESTMENTS (continued)

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Township's investments are limited by those authorized under Public Act 20 of 1943 (as amended) for credit risk. The Township also has the following investment policies further limiting its investment choices:

- Bonds, securities, and other obligations of the United States or an instrumentality of the United States where the principal and interest is fully guaranteed by the United States.
- Certificates of deposit.
- Savings accounts.
- High grade commercial paper rated at the time of purchase within the three highest grades by at least two national rating services, the term to maturity may not be more than 270 days after the date of purchase and no more than 50% of any fund may be invested in commercial paper at any time.
- Bankers' acceptances of United States banks.
- United States government or federal agency obligation repurchase agreements.
- Money market mutual funds composed of investment vehicles which are permitted under state law for direct investment.

Certificates of deposit are not rated; however, the Township evaluates each financial institution with which it invests funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. State law and the Township's policy prohibit investment in foreign currency.

Township of Kimball

Notes to the Financial Statements (continued)

5. INTERFUND ACTIVITY

The amount of the inter-fund receivables and payables is as follows:

Receivable Fund	Payable Fund	Amount
General	Water & Sewer	\$ 581
Current Tax	General	25,315
Trust & Agency	General	4,504
Water & Sewer	General	742,000
Trust & Agency	Water & Sewer	<u>4,614</u>
	Total	<u>\$ 777,014</u>

The balance of \$742,000 due to the water and sewer fund from the general fund is considered a long-term advance, and results from a loan the water and sewer fund made to the general fund to finance part of the construction of the new township hall. The full amount is not expected to be repaid within one year.

During the year, the Township made a one-time transfer of \$1,328 from the cemetery perpetual care fund to the general fund for cemetery repairs and maintenance.

6. PROPERTY TAXES

Property taxes are levied and become a lien on each December 1 on the taxable assessed value listed as of the prior December 31, and are due without penalty on or before February 28 for all real and business personal property located in the Township. The taxable value of the certified roll on December 31, 2007, upon which the levy for the 2008 fiscal year was based, was \$258,269,764. The collection of these taxes and remittance to the proper authority are accounted for in the Current Tax Collection Fund. Property taxes are recorded as revenue in the fiscal year beginning immediately subsequent to the tax levy date of December 1.

The tax rate assessed for the year ended March 31, 2008 to finance operations was .7634 per \$1,000 valuation.

Township of Kimball

Notes to the Financial Statements (continued)

7. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity of the Township for the year ended March 31, 2008 was as follows:

	April 1, 2007	Additions	Disposals	March 31, 2008
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 49,500			\$ 49,500
Capital assets being depreciated:				
Land improvements	38,586			38,586
Buildings and improvements	1,318,598	\$ 102,955		1,421,553
Furniture, equipment and software	607,011	41,390		648,401
Vehicles	1,146,675			1,146,675
Subtotal, capital assets being depreciated	3,110,870	144,345		3,255,215
Less accumulated depreciation:				
Land improvements	6,599	2,572		9,171
Buildings and improvements	312,633	27,716		340,349
Furniture, equipment and software	282,731	71,943		354,674
Vehicles	1,112,931	10,592		1,123,523
Subtotal	1,714,894	112,823		1,827,717
Net capital assets being depreciated	1,395,976	31,522		1,427,498
Governmental activities capital assets – net	\$ 1,445,476	\$ 31,522	\$ -	\$ 1,476,998
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 7,000			\$ 7,000
Capital assets being depreciated:				
Buildings and improvements	47,078			47,078
Water and sewer lines in service	14,212,960	\$ 31,395		14,244,355
Vehicles	14,840			14,840
Subtotal, capital assets being depreciated	14,274,878	31,395		14,306,273
Less accumulated depreciation:				
Buildings and improvements	47,078			47,078
Water and sewer lines in service	4,087,162	283,936		4,371,098
Vehicles	1,731	2,968		4,699
Subtotal	4,135,971	286,904		4,422,875
Net capital assets being depreciated	10,138,907	(255,509)		9,883,398
Business-type activities capital assets – net	\$ 10,145,907	\$ (255,509)	\$ -	\$ 9,890,398

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	\$ 112,823
Business-type activities	286,904
Total all activities	<u>\$ 399,727</u>

Township of Kimball

Notes to the Financial Statements (continued)

8. LONG-TERM DEBT

Governmental activities

Governmental long-term debt as of March 31, 2008 consists of compensated absences for employees' banked sick and vacation time at their current hourly rate of pay.

Business-type activities

At March 31, 2008, outstanding debt consisted of the following:

Sewer and Water Special Assessment Bonds dated March 23, 1989 to partially fund the construction of water and sewer lines. Due in installments May 1, 1990 through May 1, 2008 with interest at 6.7% to 7.5%.	\$ 15,000
Water Supply System Limited Tax General Obligation Bonds dated February 1, 1990 issued by St. Clair County to partially fund the construction of water lines. The Township has entered into a contract with the County, pursuant to PA 185, 1987, to pay the County amounts sufficient to cover principal and interest payments on these bonds as they become due. Due in installments May 1, 1991 through May 1, 2009 with interest at 5.9% to 7.1%.	110,000
Water Supply System Special Assessment Bonds dated August 1, 1991 to partially fund the construction of water lines. Due in annual installments October 1, 1993 through October 1, 2011 with interest at 5.2% to 7.10%.	100,000
Water Supply System Special Assessment Improvement Bonds Series B (Limited General Obligation) dated April 22, 1999 to partially fund the construction of water lines. Due in annual installments December 1, 2000 to December 1, 2018 with interest at 4.0% to 6.0%.	220,000
Sewer Disposal System Special Assessment Improvement Bonds Series A (Limited General Obligation) dated April 22, 1999 to partially fund the construction of sewer lines. Due in annual installments December 1, 1999 to December 1, 2018 with interest at 4.0% to 5.9%.	575,000
Sewer Disposal System Special Assessment Improvement Bonds dated October 1, 2003 to partially fund the construction of sewer lines. Due in annual installments May 1, 2004 to November 1, 2023 with interest at 2.5% to 4.625%.	2,320,000
Total long-term debt, business-type activities	<u>\$ 3,340,000</u>

Township of Kimball

Notes to the Financial Statements (continued)

8. LONG-TERM DEBT (continued)

The following is a summary of the changes in long-term debt for the year ended March 31, 2008:

Governmental activities:

	Balance April 1, 2007	Increases	Decreases	Balance March 31, 2008
Compensated absences	\$ 23,100	\$ 8,767		\$ 31,867
Total	<u>\$ 23,100</u>	<u>\$ 8,767</u>	<u>\$ -</u>	
Less current portion				-
Total long-term debt, net of current portion				<u>\$ 31,867</u>

Business-type activities:

	Balance April 1, 2007	Increases	Decreases	Balance March 1, 2008
Sewer and Water Special Assessment Bonds dated March 23, 1989	\$ 30,000		\$ 15,000	\$ 15,000
Water Supply System Limited Tax General Obligation Bonds dated February 1, 1990	165,000		55,000	110,000
Water Supply System Special Assessment Bonds dated August 1, 1991	135,000		35,000	100,000
Water Supply System Special Assessment Improvement Bonds Series B dated April 22, 1999	240,000		20,000	220,000
Sewer Disposal System Special Assessment Improvement Bonds Series A dated April 22, 1999	625,000		50,000	575,000
Sewer Disposal System Special Assessment Improvement Bonds dated October 1, 2003	2,465,000		145,000	2,320,000
	<u>\$ 3,660,000</u>	<u>\$ -</u>	<u>\$ 320,000</u>	<u>3,340,000</u>
Less current portion				310,000
Total long-term debt, net of current portion				<u>\$ 3,030,000</u>

Township of Kimball

Notes to the Financial Statements (continued)

8. LONG-TERM DEBT (continued)

Interest expense for the year ended March 31, 2008 was \$145,272 from all activities.

Debt service requirements

Business-type activities

Debt service requirements – The annual principal and interest requirements through maturity for all debts outstanding as of March 31, 2008:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 310,000	\$ 142,292	\$ 452,292
2010	295,000	128,961	423,961
2011	240,000	117,689	357,689
2012	240,000	107,936	347,936
2013	215,000	97,751	312,751
2014	215,000	89,090	304,090
2015	220,000	80,359	300,359
2016	220,000	71,171	291,171
2017	220,000	61,739	281,739
2018	220,000	52,161	272,161
2019	220,000	42,411	262,411
2020	145,000	32,516	177,516
2021	145,000	26,281	171,281
2022	145,000	19,901	164,901
2023	145,000	13,376	158,376
2024	145,000	6,706	151,706
	<u>\$ 3,340,000</u>	<u>\$ 1,090,340</u>	<u>\$ 4,430,340</u>

9. RETIREMENT PLAN

Substantially all of the full-time employees of the Township are covered by a defined contribution retirement plan. For the year ended March 31, 2008 the Township contributed \$34,985 to the plan.

10. RELATED ORGANIZATION

The Township has a related organization, the Kimball Township Economic Development Corporation (the “EDC”). The EDC is financially accountable to the Township. There has not been any activity related to the EDC during the current year. The related organization’s only asset, cash of \$3,321 is under the control of the Township. The EDC does not issue separate financial statements, and its net assets and activity have not been included in the Township’s financial statements.

Township of Kimball

Notes to the Financial Statements (continued)

11. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance for risks to cover these losses. The Township also continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

12. CONTINGENCIES

The Township is involved in various legal actions arising in the normal course of business. In the opinion of the Township Board, such matters will not have a material effect upon the financial position of the Township.

Required Supplemental Information

Township of Kimball
Required Supplemental Information
Budgetary Comparison Schedule - General, Special Revenue, and Permanent Fund Types
Year ended March 31, 2008

	General Fund				Liquor Fund				Perpetual Care Fund			
	Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues												
Property taxes	\$ 331,600	\$ 331,600	\$ 324,920	\$ (6,680)								
Licenses and permits	267,000	267,000	151,373	(115,627)								
Intergovernmental	580,000	580,000	593,609	13,609			\$ 4,270	\$ 4,270				
Charges for services	154,000	154,000	184,962	30,962								
Perpetual care											\$ 225	\$ 225
Interest	64,000	64,000	104,598	40,598			289	289			1,026	1,026
Other	117,000	117,000	260,254	143,254								
Total revenues	1,513,600	1,513,600	1,619,716	106,116			4,559	4,559			1,251	1,251
Expenditures												
Legislative												
Township board	70,000	70,000	71,837	1,837								
General government												
Supervisor	35,000	35,000	35,071	71								
Elections	5,000	16,000	15,650	(350)								
Assessor	76,000	81,000	80,926	(74)								
Clerk	100,000	128,000	129,767	1,767								
Board of review	4,000	5,000	6,296	1,296								
Treasurer	82,000	89,000	91,194	2,194								
Administration building	17,000	39,800	66,526	26,726								
Kleckner Hall	9,000	9,000	5,347	(3,653)								
Smiths' Creek building	6,000	6,000	4,634	(1,366)								
New township hall		38,000		(38,000)								
Cemetery	32,000	32,000	21,870	(10,130)								
Public safety												
Ordinance enforcer	15,000	18,000	17,993	(7)								
Fire protection	265,000	340,000	290,752	(49,248)								
Protective inspection	189,000	195,000	184,945	(10,055)								
Planning and zoning	30,000	31,000	29,647	(1,353)								
Liquor enforcement		2,000		(2,000)			4,097	4,097				
Public works												
Department of public works	49,000	49,000	41,038	(7,962)								
Drains	15,000	15,000	2,731	(12,269)								
Highways and streets	250,000	250,000	231,420	(18,580)								
Street lighting	60,000	60,000	49,587	(10,413)								
Culture and recreation												
Parks and recreation	36,000	41,000	35,077	(5,923)								
Library	4,200	7,700	6,876	(824)								
Capital outlay	281,483	281,483	153,833	(127,650)								
Debt service												
Principal and interest	102,000	102,000		(102,000)								
Total expenditures	1,732,683	1,940,983	1,573,017	(367,966)			4,097	4,097				
Excess of revenues over (under) expenditures	(219,083)	(427,383)	46,699	474,082			462	462			1,251	1,251
Other financing sources (uses)												
Transfers in			1,328									
Transfers out											(1,328)	
Total other financing sources (uses)			1,328									
Total excess of revenues over (under) expenditures and other financing sources (uses)	(219,083)	(427,383)	48,027	474,082			462	462			(77)	1,251
Fund balance / (deficit), beginning of year	859,394	859,394	859,394		(647)	(647)	(647)		23,897	23,897	23,897	
Fund balance / (deficit), end of year	\$ 640,311	\$ 432,011	\$ 907,421	\$ 475,410	\$ (647)	\$ (647)	\$ (185)	\$ 462	\$ 23,897	\$ 23,897	\$ 23,820	\$ (77)

TOWNSHIP OF KIMBALL
REPORT TO THE TOWNSHIP BOARD

November 6, 2008

Andrews Hooper & Pavlik P.L.C.
Certified Public Accountants
3201 University Drive, Suite 350
Auburn Hills, Michigan 48326



ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Township Officials
Township of Kimball
St. Clair County, Michigan

In planning and performing our audit of the financial statements of the Township of Kimball (the "Township") as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow Management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The following four control deficiencies noted over the year-end closing process, review of cash receipts, bank reconciliations, and separation of duties are considered material weaknesses.

YEAR-END CLOSING PROCESS

We noted during our audit that Management is not currently making all the adjusting journal entries related to the year-end closing process. However, Management was able to provide support for the required entries. A well-designed system of internal control includes a process for accurately summarizing and reporting financial data on a timely basis. We had to make entries to adjust cash, interfund activity, receivables, fixed assets, and long-term debt. This is a repeat comment from the prior year audit.

REVIEW OF CASH RECEIPTS

During our audit, we noted that there is no documented review of daily cash receipts and bank deposits. This lack of review has resulted in differences between what is recorded as received at the cash register and what is actually deposited at the bank. We recommend that Management review all cash receipts and bank deposits on a daily basis, including comparing the reports generated by the cash receipting system to the bank deposit information.

BANK RECONCILIATIONS

During our audit, we noted that the Township is not preparing proper, timely, and accurate bank reconciliations. We also noted the bank account is not reconciled to the balance recorded in the general ledger. Therefore, traditional bank reconciliations showing the balance per bank with reconciling items leading to the balance per books are not prepared. We recommend that the Township accurately track all cash through the general ledger and prepare timely and appropriate bank reconciliations. We also recommend that support for all reconciling items be attached to the bank reconciliations. We further recommend that the bookkeeper agree the bank reconciliations to the general ledger on a monthly basis to ensure the proper recording of cash, and initial the bank reconciliation as evidence of that process. Finally, we recommend that Management review the bank reconciliations on a monthly basis and initial them to document approval. This is a repeat comment from the prior year audit.

SEPARATION OF DUTIES

During our audit, we noted that the deputy treasurer is responsible for tracking and recording cash activity. We also noted that the same individual is an authorized check signer. This is a weakness of internal control relating to the segregation of duties functions of authorization, custody, and recording. We recommend that the deputy treasurer be removed as an authorized check signer. This is a repeat comment from the prior year audit.

The following three control deficiencies are considered significant deficiencies.

INTERFUND CASH ACTIVITY

The Township has a separate cash account for each fund. Cash often moves back and forth among the funds as a result of activity within the Township. However, we noted that when one fund would remit cash to another fund, there were often significant differences between the date the check was written, recorded, and deposited. We recommend that when one fund remits cash to another fund, the dates the check is written, recorded, and deposited be as close to one another as possible. This is a repeat comment from the prior year audit.

GENERAL LEDGER DETAIL

During our prior year audit and in the current year, we noted several instances in which various asset and liability account reconciliations did not agree to general ledger account balances. We made several adjusting journal entries to correct these errors. We again recommend the Township review the supporting account reconciliations on a regular basis and make corrections as needed. We also recommend that additional staff training or additional staff be added to facilitate and assist the Township in properly recording account activity on a regular basis. This is a repeat comment from the prior year audit.

FINANCIAL REPORTING PROCESS

As is typical in organizations of this size, it is difficult to have personnel that possess all the financial reporting technical skills necessary to comply with often complex accounting standards. This common characteristic appears to be present in the Township. Although this assistance was provided as an additional procedure, the potential for future misstatements that are more than inconsequential based on the present skill level of the Township's personnel appears to be more than remote. While the expectation may not necessarily be for all accounting personnel to possess these technical skills, it may be necessary to obtain additional expertise in order to achieve the desired financial reporting objectives.

The remaining control deficiencies are not considered material weaknesses or significant deficiencies.

AUTHORIZATION

Each check issued by the Township requires dual signatures, and therefore dual approval. Out of a sample of 22 cash disbursements selected for testing, we noted one instance where an employee expense reimbursement check was made out to an authorized signer, who was also the same individual that signed as approving the check. We recommend that when a check is made out to an authorized signer, that individual does not also sign as approving the check.

EXPENSE REPORTS

Employee expense reports are required by Township policy to be prepared by an employee and approved by that employee's supervisor. We noted one instance out of a sample of 22 cash disbursements where an employee expense report was not approved by that employee's supervisor. We recommend that all employee expense reports get approved by an appropriate supervisor.

* * * * *

The above comments represent our observations during the course of the audit and are intended to be constructive suggestions for improvement. We would be pleased to discuss these comments with you at greater length and to assist you with any other needs, should you so desire.

Once again, we would like to thank the Township for its support and assistance during our audit.

This report is intended solely for the information and use of the Board of Trustees, Management and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Andrews Hooper & Pavlik P.L.C.